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Economic Implications

Although the available information allows for only rough estimates of the economic benefits the Soviets would realize from the pledged reductions, we believe the benefits could be substantial:

- A 500,000 man reduction in the armed forces would save the Soviets approximately 1 billion rubles per year--about 1 percent of their current defense budget--in personnel-related costs.
- Up to another billion rubles each year could be saved through not having to operate, maintain, and fuel the affected tanks, artillery pieces, and aircraft.
- There might also be future savings in procurement, because the Soviets would be modernizing a smaller force. For example, if the 20 percent reduction in the stock of tanks translated into a 20 percent reduction in annual tank procurement, the Soviets could save half a billion rubles each year.

Thus, when these savings are combined, total Soviet defense expenditures could eventually be reduced by about 3 percent per year as a result of these reductions.

In addition, Gorbachev has already taken other actions--and is negotiating arms control agreements--that could reduce defense spending.

- We estimate that the INF Treaty will save the Soviets 1-2 billion rubles per year through the year 2000.
- The withdrawal from Afghanistan could save the Soviets another 1-2 billion rubles each year.
- The savings from a START agreement, while more difficult to calculate, could be as high as 4 billion rubles per year.

Moreover, there could be broader benefits from these actions that could also help Gorbachev's civil modernization program. An improved international climate, for example, increases the possibility of a substantial increase in trade with the West and in opportunities to acquire Western technology. Moreover, if NATO reciprocated, the cutbacks could enable Gorbachev to reduce allocations to military research and development and weapons production, thereby freeing up the types of resources that are most needed by the civil modernization effort.

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8 December 1988

Talking Points for the DCI's 8 December 1988 Meeting at the State Department

Gorbachev's force reduction proposals

Military Implementation:

Given the forum of President Gorbachev's force reduction proposals, we expect their implementation will be conducted publicly and with the appropriate fanfare. There are precedents for this course of action.

-- When a Soviet tank division was withdrawn from East Germany in 1979-1980, there was extensive media coverage of this event.

-- When the Hungarians restructured their ground forces in 1987, it was announced at a press conference for all foreign military attaches.

-- Our estimate is that three tank divisions will be withdrawn from East Germany, two from Hungary, and one from Czechoslovakia. Overall, the reduction of the 2,000 tanks in these six divisions, another 3,000 tanks from units in these countries, as well as a 50,000 troop reduction will result in the following force ratios for NATO and Pact in Central Europe*

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8 December 1988

TALKING POINTS FOR THE DCI
DOMESTIC POLITICAL IMPLICATIONS OF SOVIET TROOP REDUCTIONS

President Gorbachev's announcement of a unilateral reduction of Soviet troops is further confirmation that his political position was considerably strengthened by the leadership shakeup last September.

- o The leadership changes tilted the political balance in the Politburo even further in favor of a more pragmatic, nonideological approach to foreign affairs and national security policy.

- o The composition of the Defense Council--the leadership subcommittee where decisions on military policy are made--was altered to reduce the influence of traditionalists likely to oppose unilateral moves.

The decision undoubtedly generated controversy within the Soviet military and may have sparked a confrontation between civilian leaders and the military high command.

- o Over the past year, both Defense Minister Yazov and Chief of the General Staff Akhromeyev spoke out forcefully against making any unilateral cuts in Soviet forces.

- o Although rumors have circulated for some time that Akhromeyev would step down for nonpolitical reasons, the timing of yesterday's announcement that he will be replaced suggests that conflict over the troop reduction was a factor in his removal.

- o Shortly before Gorbachev's announcement, rumors were circulating that Yazov would also resign in protest, but he is still serving as Defense Minister today.

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